



# Annual Report 2017



The City of Kenora, Ontario, Canada



## Table of Contents

INTRODUCTORY INFORMATION.....	2
<i>City Council</i> .....	2
<i>Senior Leadership Team</i> .....	3
<i>Mayor's Message</i> .....	4
<i>CAO's Message</i> .....	5
<i>Strategic Direction for the Corporation</i> .....	6
<i>City Profile</i> .....	7
<i>Interesting Statistics – "2017 by the Numbers"</i> .....	8
<i>Look What's New in 2017</i> .....	9
<i>Looking Ahead to 2018</i> .....	10
<i>City Council and Committee Structure</i> .....	11
FINANCIAL HIGHLIGHTS.....	12
<i>2017 Financial Report</i> .....	12
<i>Current Operations</i> .....	13
<i>Revenues, Financing and Transfers</i> .....	15
<i>Expenditures, Financing and Transfers</i> .....	16
<i>Capital Projects</i> .....	17
<i>Reserves and Reserve Funds</i> .....	18
<i>Government Business Enterprise</i> .....	19
<i>Kenora Citizens' Prosperity Trust Fund</i> .....	20
FINANCIAL STATEMENTS.....	21
<i>Table of Contents</i> .....	21

## Introductory Information

### City Council



From left to Right:

- ~ Councillor Dan Reynard
- ~ Councillor Mort Goss
- ~ Mayor David Canfield
- ~ Councillor Rory McMillan
- ~ Councillor Sharon Smith
- ~ Councillor Colin Wasacase
- ~ Councillor Louis Roussin



## Senior Leadership Team

- ~ Karen Brown, CAO
- ~ Jeff Hawley, Manager of Operations & Infrastructure
- ~ Todd Skene, Manager of Fire & Emergency Services
- ~ Charlotte Edie, Treasurer
- ~ Heather Kasprick, City Clerk



## Mayor's Message

2017 was a showcase year for Kenora where National attention was the focus for two major events that we were fortunate enough to host.

Through our continued remarkable volunteers we have in our community, the City was host to the famous Hockey Day in Canada in February, where we held a first class national event that was quoted as "the best event they have ever seen". City staff and volunteers worked diligently to put Kenora on the map to hundreds of thousands of hockey fans. The memories that this event will hold for the hundreds of children that participated in the clinics, fans who filled the Thistle arena for two talented hockey games and the spectators under the Whitecap will forever be remembered.

Coming off the success of the Hockey Day in Canada event, staff and volunteers quickly moved into summer mode preparing to host the Canada Summer Games hosting the rowing portion of the Games. Through successful grant submissions to the Federal and Provincial government, the City enhanced the Rabbit Lake and Garrow Park area with extensive works to beautify and develop the area to host a first class event. Again, Kenora was showcased nationally and has since been deemed as a world class rowing venue with the ideal natural surroundings for rowing.

What these two national events clearly demonstrated was that working together and developing partnerships will always give the City an advantage to other communities and that visioning our long term goals of growth and development through our existing strengths will get us there. Council continues to commit to funding applications which will provide the financial assistance we require to keep the progressive developments moving ahead.

Growth and development continues to be on the forefront for Council with a commitment to the new airport development. This improved facility will allow the airport to expand the market to larger airlines which will connect more people to getting to our community. Also expanding by purchasing key property in the downtown area for strategic future downtown revitalization expansion and developing further much needed parking in the downtown area. The release of the new wayfinding signage helps visitors move through our community and ensure they stay in the vibrant downtown area we have all worked so hard to enhance.

I have served as Mayor or a member of Council for this community for many years, and my whole-hearted passion for Kenora will always remain as I truly believe we live in the most beautiful place on earth. Thank you for your part in making Kenora what it is.

Mayor David S. Canfield



## CAO's Message

Year end is a time we can both reflect back on our successes and the challenges of the past year, as well as look ahead towards the future. Our achievements are a credit to the hard work done by our dedicated City Team, striving to meet our Vision of municipal excellence. Thank you to all of our City staff for everything that you do every day to make Council's direction a reality. It is also a credit to our Partners, the Citizens and Businesses of Kenora, and the role that each of you plays in making our successes a reality.

In 2017, new excitement came to Kenora. In February of 2017, Kenora's passion for hockey was evident when Kenora hosted the 17<sup>th</sup> Annual Scotiabank Hockey Day in Canada. According to the Hockey Blog in Canada, it was "Nothing short of magical..." In August of 2017, Kenora, in partnership with the City of Winnipeg and the Kenora Rowing Club, hosted the rowing component of the Canada Summer Games. The venue, Rabbit Lake, is touted by many to be one of the best rowing locations in Canada. Neither of these events would have been possible without the tireless efforts of their organizing committees, countless dedicated volunteers, local businesses, and City staff. Thanks to every one of you. Kenora truly shone in 2017 as a result of all of your efforts!

Also in 2017, the City actively moved forward on a number of initiatives. The City's new Corporate Communications Strategy and Policy was approved, and our three Community Improvement Programs were updated. The City purchased just over 2.2 acres of land in the heart of the City. This purchase was a strategic opportunity for potential future development within the Harbourtown Centre. Council directed the Board of the Kenora Hydro Electric Corporation Ltd. to engage in merger discussions with Thunder Bay Hydro. The Lake of the Woods Museum launched the Big Picture campaign, aimed at fundraising to develop an Art Gallery in Kenora. The City began work on a Municipal Energy Plan, as well as implementing climate risks into an updated Asset Management Plan. In accordance with the City's strategic direction of reducing red tape, the City initiated an investment readiness audit in late 2017.

As we move into 2018, the City's Investment Readiness Audit was finalized, and a roadmap was developed to take the recommendations and make them a reality. New wayfinding signage was put in place, which included Ojibwe translations for City facilities based on the efforts of the City's Common Ground group with guidance from the Community Elders. Together with Council, the Leadership Team and all City staff will continue to work together to implement the priorities and actions as identified within the City's strategic plan, ensuring the City actively moves forward with its vision of Kenora being a City of choice, renowned as a sustainable, lifestyle community, supported by a Municipality committed to excellence. The City puts out a report annually outlining progress made under our strategic plan. For additional information on the City's strategic plan, including the plan itself, the City's Vision, Mission and Values, together with the progress reports for 2015, 2016 and 2017, please visit <http://kenora.ca/government/about-the-city-of-kenora/>.

The City of Kenora's annual report covers the City's fiscal year, which runs from January 01 to December 31. On behalf of City administration, it is our pleasure to present highlights of our activities for 2017.

Karen Brown, CAO



## Strategic Direction for the Corporation

The City of Kenora's current corporate Strategic Plan, adopted mid 2014 is called *Our Vision is 20/20*. The plan is established to provide the City with guidelines for evaluating and determining its actions, making decisions and setting the budget.

In 2017, the City made significant progress on a number of action items in its Strategic Plan. Among the most significant includes the beginning of the Lake of the Woods Development Commission's strategic plan developed in alignment with the City of Kenora.

To ensure that we are maintaining the momentum in realizing the goals and actions under the Strategic Plan, the City has committed to tracking and communicating our results on an annual basis. The 2017 Strategic Plan Progress Report offers a glimpse into how well we are doing in fulfilling our vision and achieving our mission.

### *Our Vision:*

Kenora is a City of choice, renowned as a sustainable lifestyle community supported by a Municipality committed to excellence.

### *Our Mission:*

To deliver quality, cost-effective Municipal services.



## City Profile

The Towns of Kenora, Keewatin and Jaffray Melick amalgamated on 1 January 2000 to form the City of Kenora, forming the second largest center in Northwestern Ontario. The City of Kenora is the largest municipality within the District of Kenora, and represents a commercial hub for the region. With an "open for business" approach, the City has been recognized by senior levels of government as "forward thinking", and continues to actively and aggressively pursue development opportunities as available.

The forestry sector continues to be a component of the City's economic base, despite the significant challenges currently facing this sector. The City currently is home to a Weyerhaeuser iLevel Mill, one of the largest value added facilities in the Ontario forest industry, and the Kenora Forest Products Ltd. lumber mill.

Located on famous Lake of the Woods, Kenora also represents a major tourist destination, and hosts a significant number of tourism related businesses, either within the City or in the surrounding area. Kenora's population more than doubles in the summer because of tourists and seasonal residents. The retail sector is also a significant contributor to the local economy.





## Interesting Statistics – “2017 by the Numbers”

Kenora’s population.....	15,096
Youth population .....	3,240
Number of dwellings.....	7,376
Total property assessment .....	1.66 billion
Tonnes of waste collected .....	31,004
Tonnes of solid waste diverted (recycled) .....	1,472
Tonnes of curbside collection .....	729
Wastewater treated (megalitres) .....	2241
Drinking water treated (megalitres) .....	2340
Water Main breaks .....	18
Total KM of water distribution/transmission pipes.....	135.6 km
Total KM of waste water mains .....	128.6 km
City-owned roads	
Total paved .....	330 km
Total unpaved .....	280 km
Total maintained in winter .....	610 km
Total km of city-owned trails .....	90 km
Total number of regular service passenger trips on conventional transit....	39,546
Total number of bridges .....	21
Total number of culverts.....	714



## Look What's New in 2017

2017 was an exciting year for the City of Kenora, noting the efforts in promoting the city as a tourist destination. The Hockey Day in Canada and the rowing events as part of the Canada Summer Games, showcased Kenora on the national stage.

To enhance communication with the public, and provide a much needed redesign, the new Kenora.ca website was launched on February 14, 2017. This also came with increased usage of social media channels for City communications.

As part of the Develop Our Economy guiding principle of the City's strategic plan, the city made a commitment to being 'Open for Business' by securing provincial funding and a consultant to carry out an investment readiness audit.

On National Aboriginal Day in 2017, a traditional ceremony was held outside City Hall which led to the Treaty 3 flag being raised, and the flag is to fly permanently alongside the City of Kenora, Ontario and Canada flags, symbolizing the reaffirmation of the treaty that was signed in 1873. This showed the City's commitment to building partnerships and honoring the Truth and Reconciliation Committee Calls to Action.

Expansions to all three Community Improvement Plans were adopted by Council in March 2017. The three Community Improvement Plans consist of the Harbourtown Centre, the Former Mill Site project area, and Keewatin. The expansion was to include housing incentives, and grants for both planning and implementation projects.



## Looking Ahead to 2018

The 2015-2020 Strategic Plan is intended to be a living document and as such, will be regularly updated to reflect the changing internal and external context of the City. As we look to 2018, the City will conduct a review of the Strategic Plan to ensure it still aligns with current Council priorities.

2018 marks the final year of the four year term for the current Mayor and Council. Looking forward to 2018 and beyond, the city will prepare for their municipal election.

Kenora also is looking forward to the following events and undertakings in 2018:

- Kenora and Thunder Bay Hydro signing of the Memorandum of understanding for merger.
- Replacement of the Seventh Ave South Bridge
- Launching of the Choose Kenora Campaign
- New downtown wayfinding and gateway signage including Ojibway greetings
- Kenora's Art Centre groundbreaking
- New aerial platform fire truck becomes part of the fleet
- Splash park ground breaking



## City Council and Committee Structure

City Council represents the elected decision making authority for the City. Council is comprised of the Mayor and six Councillors, all elected at large within the City. Council exercises its legislative authority through the passing of City By-laws and resolutions.

The City operates through a Committee of the Whole structure. All Council members are members of the Committee of the Whole. The Committee of the Whole is for the purpose of conducting municipal business and forwarding recommendations to Council for enacting final approval and by-laws. There is no recommendation acted upon without prior concurrence of Council. Committee of the Whole meets on a monthly basis one week prior to Council meetings.

In 2015 Council eliminated the Councillor portfolios that were based on six standing committees. Each department will still be broken down as per the senior manager responsibility for reporting purposes, however there will no longer be a lead Councillor for each area. Without portfolios all members of Council are involved and engaged as a whole with respect to all facets of the City's operations.

In addition, the City has various boards, commissions and committees responsible for various components of its overall operations, as well as independent boards and committees. The members of Council are appointed to these committees to represent the City.



## Financial Highlights

### 2017 Financial Report

The financial report for the City of Kenora includes financial information and analysis as well as financial statements for the year ended December 31, 2017. These financial statements are prepared in accordance with the Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of Chartered Professional Accountants Canada.

The preparation and presentation of the financial statements and related information contained in this report is the responsibility of the management of the City of Kenora. Included in the consolidated financial statements are those entities that are accountable to or controlled by the City of Kenora and are outlined in the significant accounting policies in the audited financial statements.

City Council appointed the accounting firm of MNP LLP to perform an independent audit of the City's 2017 financial statements, and its report is included herein. The accuracy and reliability of the financial information is ensured by the City's system of internal controls.



## Current Operations

The current operations (excluding funding for capital projects) are broken into eight main functional areas. These areas, together with some examples of the types of expenditures that are incurred in these areas are as follows:

- ~ General Government (Mayor and Council, City Administration)
- ~ Protection to Persons and Property (Fire, Police, By-law Enforcement, 911 Services)
- ~ Transportation Services (Roads, Transit)
- ~ Environmental Services (Water and Waste water, Garbage, Recycling)
- ~ Health Services (Northwestern Health Unit, Cemeteries, Ambulance)
- ~ Social and Family Services (Ontario Works, Day Care, District of Kenora Home for the Aged, Social Housing)
- ~ Recreation and Cultural Services (Parks, Recreation Facilities, Library, Museum)
- ~ Planning and Development (Planning, Northwest Business Centre, Tourism, Economic Development)

Total current operations revenues were \$45.5 million in 2017 of the total revenues of \$46.4 million. Funding for capital projects was an additional \$0.9 million. The City also utilized \$6.3 million in reserves and reserve funds in 2017 for capital and operations. As in previous years, taxation accounts for the largest source of current operations revenues, providing 52.9% of total revenues. Fees and user charges represent another 31.3% of total revenues. An analysis of total revenues by source in graph form follows on page 14.

Overall current operations expenditures in the various functional areas listed above, were \$45 million in 2017, before changes in City surplus. An analysis of current expenditures by functions in graph form follows on page 15.

This discussion does not include capital activity of the City.



**The Corporation of the City of Kenora  
Current Fund Operations  
Comparison of Actual to Budget**

<b>Category</b>	<b>2017 Budget</b>	<b>2017 Actual</b>	<b>Variance Fav (Unfav)</b>	<b>% Variance Fav (Unfav)</b>
-----------------	------------------------	------------------------	---------------------------------	-----------------------------------

<b>Revenues</b>	\$48,033,340	\$46,387,286	(\$ 1,646,054)	(3.4%)
-----------------	--------------	--------------	----------------	--------

*Revenue Main impacts include:*

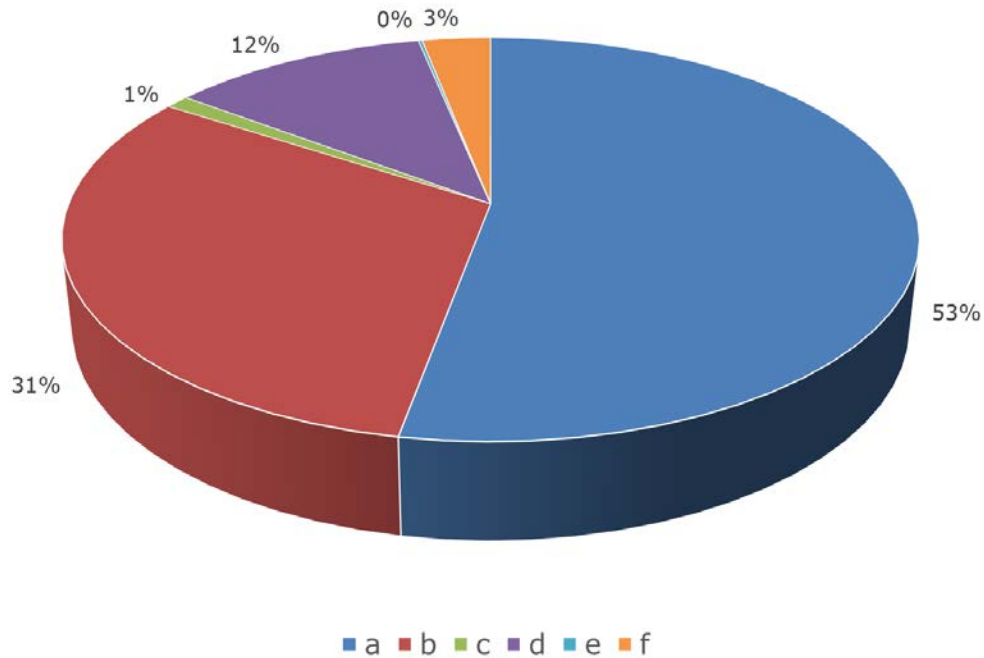
- Canada and Ontario grants were lower than expected for the year as three budgeted projects (7th Avenue Bridge, T Intersection and Coker/Bailey Bridge) were not started in 2017

<b>Expenses</b>	\$45,501,697	\$44,964,180	\$537,517	1.2%
-----------------	--------------	--------------	-----------	------

*Expense Main impacts include:*

- Transportation services came in over budget due partially to the early winter which meant more snow removal. Also there were some additional costs in vehicles repairs and maintenance this year due to an aging fleet.
- Environmental services expenses were below budget as Water and Waste water materials and supplies in several departments were under budget for the year.

## Revenues, Financing and Transfers

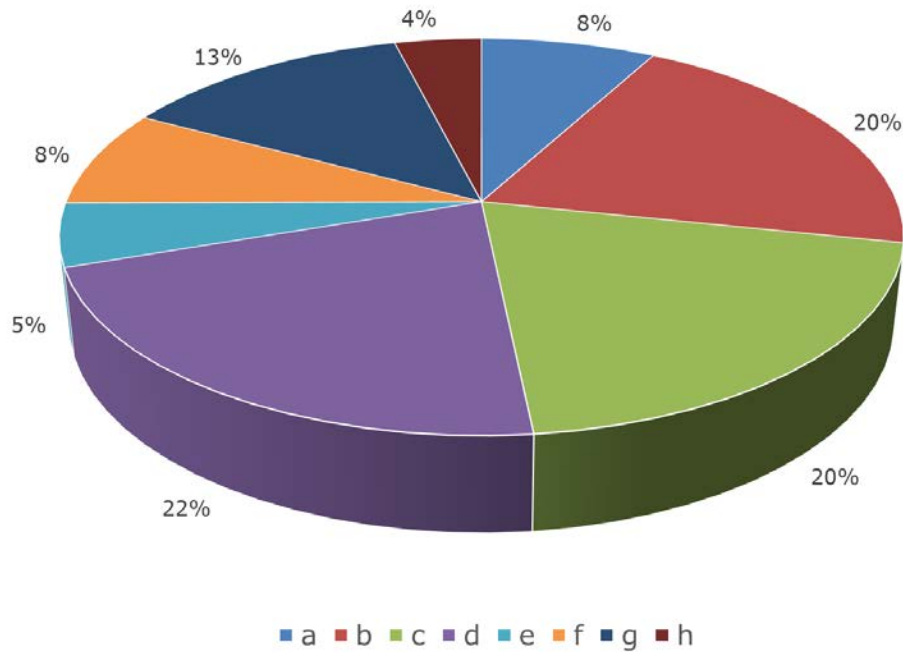


### **Revenues, Financing and Transfers (in thousands of dollars)**

a	Taxation	\$ 24,534	52.9%
b	Fees and user charges	14,520	31.3%
c	Canada grants	496	1.0%
d	Ontario grants	5,343	11.5%
e	Government business enterprise	75	0.2%
f	Other	1,419	3.1%
		<b>\$ 46,387</b>	<b>100.0%</b>



## Expenditures, Financing and Transfers



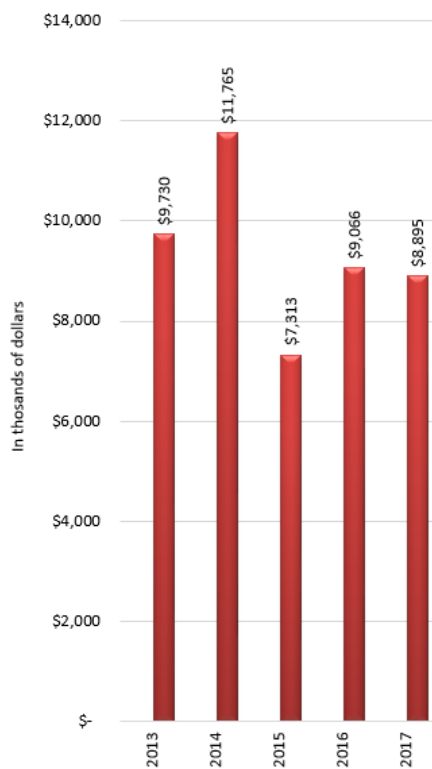
### **Expenditures, Financing and Transfers (in thousands of dollars)**

a General government	\$ 3,564	8.0%
b Protection services	\$ 9,162	20.4%
c Transportation services	\$ 9,012	20.0%
d Environmental services	\$ 9,629	21.4%
e Health services	\$ 2,307	5.1%
f Social and family services	\$ 3,586	8.0%
g Recreational and cultural services	\$ 5,930	13.2%
h Planning and development	\$ 1,774	3.9%
	<b>\$ 44,964</b>	<b>100.0%</b>

## Capital Projects

The City's significant expenditures relating to major projects are described in the statement of financial position as tangible capital assets. These expenditures generally provide the City with a long-term benefit, either through the purchase of capital assets, improvements to existing capital assets, or the extension of the life of existing capital assets.

Overall tangible capital asset purchases in 2017 were \$8.9 million. Major capital projects for 2017 included:



- ~ Municipal Roads program: \$1.5 million
- ~ Fleet purchases: \$1.4 million – including dump truck, GPS and radio system, street sweeper, grader blade, half ton trucks, vacuum truck, and a roll off truck
- ~ Pumping/lift Station upgrades: \$.73 million
- ~ Mall Parking lot purchase: \$.5 million
- ~ Pool upgrades: \$.5 million
- ~ Storm sewer upgrades \$.5 million
- ~ City hall windows: \$.25 million
- ~ Streetlight additions: \$.2 million

## Reserves and Reserve Funds

The City maintains reserves and reserve funds designed to offset future costs related to specific expenditures, as approved by Council. While the reserves are primarily intended for capital expenditures, the City also holds significant working capital (\$4.5 million) and consolidated contingency (\$8.0 million) reserves.

The reserve and reserve fund balance at the end of 2017 was \$30.2 million. This chart below outlines the consolidated reserve and reserve fund combined balances for the last five years. These balances exclude any equity related to the Kenora Hydro Electric Corporation Ltd. This equity is reflected separately as net equity in government business enterprises. These balances also exclude any balance related to the Kenora Citizens' Prosperity Trust Fund.

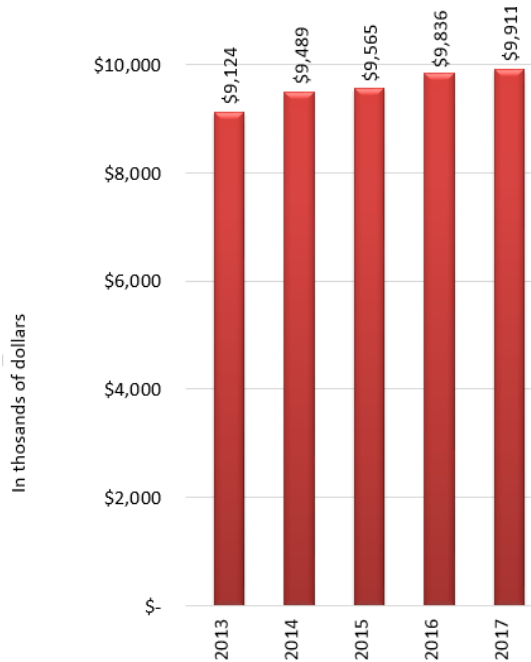




## Government Business Enterprise

The government business enterprise (GBE) is a separate municipal operation or legal entity that reports independently to a separate Board or Commission and does not rely on the City for funding.

This page includes a chart outlining the City's comparative net equity in government business enterprises for the past five years.



The Kenora Hydro Electric Corporation Ltd. (Kenora Hydro), the City's only Government Business Enterprise, is a Local Distribution Company (LDC), incorporated under the Ontario Business Corporation Act in compliance with Hydro Deregulation. Kenora Hydro provides hydro distribution services to residents within the boundaries of the former Towns of Kenora and Keewatin. Kenora Hydro operates as an independent corporation under a Board of Directors appointed by the City as the sole shareholder.



## **Kenora Citizens' Prosperity Trust Fund**

On January 31, 2008, the City of Kenora sold the KMTS Entities to Bell Aliant. Up to this point, the KMTS entities had been a GBE like Kenora Hydro and had contributed to the City's bottom line.

In an effort to ensure there was no impact to property taxes as a result of this sale, the decision was made to transfer the proceeds of disposition from the sale, together with the cash and investments that were excluded from the sale, to a trust fund that would safeguard the funds. Thus, the Kenora Citizens' Prosperity Trust Fund (Trust Fund) was established in 2008, and had a balance of \$41 million at the end of 2017. In order to offset lost net revenues as a result of the sale of the KMTS Entities, the City requires an annual return of \$1.1 million in income from the trust. Any erosion of the balance of the trust will result in an additional burden on the City taxpayer.

Since the inception of this Trust Fund, the City of Kenora has issued internal debt totaling \$12.1 million owing to the Trust Fund to finance the Fire Hall, the Discovery Centre, the Highway 17 Rehabilitation project, the Whitecap Pavilion, the marine waterline, the street lighting project and the Keewatin Arena upgrades. This debt is being paid back to the Trust Fund on the established schedule with 3% interest.

The Trust Fund is reported on the City's financial statements at \$32.8 million because the Canadian generally accepted accounting principles, as established by the Public Sector Accounting Board, dictate that such inter-organizational transactions be eliminated on consolidation. As a result the balance of \$32.8 million reflected on the consolidated statement of financial position does not reflect the balance of the debentures and interfund balances at 31 December 2017 of \$8.2 million.



## Financial Statements

### Table of Contents

Management's Responsibility for the Financial Statements.....	22
Independent Auditor's Report .....	23
Consolidated Statement of Financial Position .....	24
Consolidated Statement of Operations .....	25
Consolidated Statement of Changes in Net Financial Assets .....	26
Consolidated Statement of Cash Flows .....	27
Significant Accounting Policies.....	28
Notes to Consolidated Financial Statements .....	31
Segmented Information Note .....	40
Schedules of Segment Disclosure.....	42



---

## Management's Responsibility for the Financial Statements

---

The accompanying financial statements of the Corporation of the City of Kenora are the responsibility of the City's management and have been prepared in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of Chartered Professional Accountants Canada. A summary of the significant accounting policies are described in the notes to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgments, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The City's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

City Council meets with management to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by MNP LLP, independent external auditors appointed by City Council. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the City's financial statements.

Karen Brown, CPA, CA, CAO  
Kenora, Ontario

## Independent Auditors' Report

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the City of Kenora:

We have audited the accompanying consolidated financial statements of The Corporation of the City of Kenora, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Corporation of the City of Kenora as at December 31, 2017 and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Kenora, Ontario

August 14, 2018



Chartered Professional Accountants


Licensed Public Accountants



**THE CORPORATION OF THE CITY OF KENORA**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
31 December 2017

	2017	2016
<b>Financial Assets</b>		
Cash (Note 1)	\$ 22,016,413	\$ 19,170,733
Temporary investments (Note 2)	14,977,719	15,932,261
Taxes receivable	289,469	385,372
Trade and other receivables	4,794,034	4,711,986
Inventory held for resale	61,276	54,476
Long term notes receivable (Note 3)	36,830	53,601
Citizens' Prosperity Trust Fund investments (Note 4)	32,844,723	33,415,336
Investment in government business enterprise (Note 5)	9,911,000	9,836,000
	<u>84,931,464</u>	<u>83,559,765</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	5,942,191	6,715,935
Deferred revenue (Note 6)	3,976,059	1,701,320
Employee future benefits payable (Note 16)	2,658,153	2,620,892
	<u>12,576,403</u>	<u>11,038,147</u>
<b>NET FINANCIAL ASSETS</b>	<b>72,355,061</b>	<b>72,521,618</b>
<b>Non Financial Assets</b>		
Tangible capital assets (Note 8)	154,722,219	152,556,817
Inventories of consumables and prepaids	997,149	1,572,888
	<u>155,719,368</u>	<u>154,129,705</u>
<b>ACCUMULATED SURPLUS (Note 7)</b>	<b>\$ 228,074,429</b>	<b>\$ 226,651,323</b>

See Accompanying Notes

 Mayor

 Treasurer

**THE CORPORATION OF THE CITY OF KENORA**  
**CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS**  
For the year ended 31 December 2017

	2017 Budget (Note 12)	2017 Actual	2016 Actual
<b>Revenues</b>			
Taxation	\$ 24,683,852	\$ 24,534,202	\$ 23,463,618
Fees and user charges	14,329,066	14,519,761	13,952,259
Canada grants	1,289,327	496,342	2,723,648
Ontario grants	6,283,179	5,343,459	5,376,835
Net income from government business enterprise (Note 5)	75,000	75,000	271,000
Other (Note 9)	1,372,916	1,418,522	2,031,773
	<u>48,033,340</u>	<u>46,387,286</u>	<u>47,819,133</u>
<b>Expenses</b>			
General government	3,577,005	3,564,495	3,567,836
Protection services	9,323,957	9,161,588	9,538,479
Transportation services	8,623,098	9,011,713	8,319,997
Environmental services	10,219,426	9,629,407	9,837,813
Health services	2,275,036	2,307,176	2,166,835
Social and family services	3,585,262	3,585,797	3,492,376
Recreation and cultural services	6,001,201	5,929,092	5,989,273
Planning and development	1,896,712	1,774,912	1,735,281
	<u>45,501,697</u>	<u>44,964,180</u>	<u>44,647,890</u>
<b>Annual surplus</b>	<u>2,531,643</u>	1,423,106	3,171,243
<b>Accumulated surplus, beginning of year</b>		226,651,323	223,480,080
<b>Accumulated surplus, end of year</b>		<u>\$ 228,074,429</u>	<u>\$ 226,651,323</u>

See Accompanying Notes

**THE CORPORATION OF THE CITY OF KENORA**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS**  
For the year ended 31 December 2017

	2017 Budget (Note 12)	2017 Actual	2016 Actual
<b>Annual surplus</b>	\$ 2,531,643	\$ 1,423,106	\$ 3,171,243
Acquisition of tangible capital assets	(13,491,824)	(8,895,235)	(9,065,512)
Amortization of tangible capital assets	6,576,190	6,576,190	6,471,739
Loss on sale of tangible capital assets	-	56,853	35,806
Proceeds on sale of tangible capital assets	-	96,790	48,771
	(4,383,991)	(742,296)	662,047
Acquisition of prepaid expenses and inventory of supplies	(1,638,898)	(1,638,898)	(2,173,811)
Net use/consumption of inventories of consumables and prepaids	2,214,637	2,214,637	1,610,131
	575,739	575,739	(563,680)
<b>Net change in net financial assets (debt)</b>	(3,808,252)	(166,557)	98,367
<b>Net financial assets, beginning of year</b>	72,521,618	72,521,618	72,423,251
<b>Net financial assets, end of year</b>	\$ 68,713,366	\$ 72,355,061	\$ 72,521,618

See Accompanying Notes

**THE CORPORATION OF THE CITY OF KENORA**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the year ended 31 December 2017

	2017	2016
<b>Operating transactions</b>		
Annual surplus	\$ 1,423,106	\$ 3,171,243
Items not involving cash		
Amortization	6,576,190	6,471,739
Loss on disposal of tangible capital assets	56,853	35,806
Income from government business enterprise	(75,000)	(271,000)
	<b>7,981,149</b>	<b>9,407,788</b>
Change in non-cash working capital balances		
Decrease in taxes receivable	95,903	40,267
Decrease (Increase) in trade and other receivables	(82,048)	709,784
Decrease (Increase) in other assets	568,939	(569,754)
Increase (Decrease) in accounts payable and accrued liabilities	(773,744)	1,375,673
Increase (Decrease) in deferred revenue	2,274,739	(1,345,076)
Increase (Decrease) in employee benefits payable	37,261	(62,466)
	<b>10,102,199</b>	<b>9,556,216</b>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(8,895,235)	(9,065,512)
Proceeds on sale of tangible capital assets	96,790	48,771
	<b>(8,798,445)</b>	<b>(9,016,741)</b>
<b>Investing transactions</b>		
Decrease in long term investments	16,771	15,963
Decrease (Increase) in Citizens' Prosperity Trust Fund	570,613	(590,108)
	<b>587,384</b>	<b>(574,145)</b>
<b>Net change in cash and equivalents</b>	<b>1,891,138</b>	<b>(34,670)</b>
<b>Cash and equivalents, beginning of year</b>	<b>35,102,994</b>	<b>35,137,664</b>
<b>Cash and equivalents, end of year</b>	<b>\$ 36,994,132</b>	<b>\$ 35,102,994</b>
<b>Represented by</b>		
Cash	\$ 22,016,413	\$ 19,170,733
Temporary investments	14,977,719	15,932,261
	<b>\$ 36,994,132</b>	<b>\$ 35,102,994</b>

See Accompanying Notes

**THE CORPORATION OF THE CITY OF KENORA  
SIGNIFICANT ACCOUNTING POLICIES**

For the year ended 31 December 2017

The consolidated financial statements of the Municipality are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of Chartered Professional Accountants Canada. The Municipality provides municipal services such as fire, public works, planning, parks, recreation and other government services. Significant aspects of the accounting policies adopted by the Municipality are as follows:

**a) Basis of Accounting**

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

**b) Basis of Consolidation**

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the current fund, capital fund, reserves and reserve funds of all municipal organizations, committees and boards and internally restricted entities which are owned or controlled by the Municipality. All interfund assets, liabilities, revenues and expenses have been eliminated on consolidation.

The following boards and municipal enterprises owned or controlled by the Municipality have been consolidated:

Kenora Public Library  
Lake of the Woods Cemetery  
Lake of the Woods Museum

The Provincial Offences Fund is a government partnership where the Municipality has shared control over the board / entity. The Municipality's pro rata share of the assets, liabilities, revenues and expenses are reflected in the financial statements using the proportionate consolidation method. The Municipality's proportionate interest of 69.27% of the Provincial Offences Fund is reflected in the consolidated financial statements.

The government business enterprise is a separate legal entity which does not rely on the municipality for funding. The investment in the government business enterprise is accounted for using the modified equity method. Under this method, the government business enterprise's accounting policies, which follow International Financial Reporting Standards for rate-regulated industries, are not adjusted to conform with Public Sector Accounting Standards and inter-entity transactions and balances are not eliminated. The Kenora Hydro Electric Corporation Ltd. is the only government business enterprise reflected in the consolidated statements.

**c) Use of Estimates**

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

**THE CORPORATION OF THE CITY OF KENORA**  
**SIGNIFICANT ACCOUNTING POLICIES**  
For the year ended 31 December 2017

**d) Government Transfers**

Government transfers are recognized in the year in which events give rise to the transfer, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

**e) Revenue Recognition**

Revenues are recognized as follows:

- i Tax revenue is recognized in the calendar year to which the tax assessment applies and the assessment is known.
- ii Fees and user charges are recognized on a monthly basis as services are provided.
- iii Other revenues are recorded when collected or when collection is reasonably assured.
- iv Grants for the acquisition of tangible capital assets are recognized in the period in which the eligible expenditures are made.

**f) Investments**

Temporary investments are recorded at the lower of cost or market. Portfolio investments are recorded at cost unless there has been a decline in the market value which is other than temporary in nature in which case the investments are written down to market value.

**g) Inventory**

Inventory is recorded at the lower of cost and net realizable value. Cost is determined on the average cost basis.

**h) Collection of Taxes on Behalf of Other Taxation Authorities**

The municipality collects taxation revenue on behalf of the school boards. The taxation, other revenues, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in these financial statements.

**i) Trust Funds**

Trust funds administered by the City for the benefit of external parties are not included in these financial statements. The financial activity and position of the trust funds are reported separately.

**j) Deferred Revenue**

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the consolidated statement of financial position. The revenue is recognized in the consolidated statement of operations in the year in which it is used for the specified purpose.

**THE CORPORATION OF THE CITY OF KENORA**  
**SIGNIFICANT ACCOUNTING POLICIES**  
For the year ended 31 December 2017

**k) Pension and Other Post-Employment Benefits**

The City accounts for its participation in the Ontario Municipal Employees Retirement System (OMERS), a multi-employer public sector pension fund, as a defined contribution plan. Standards issued by Chartered Professional Accountants Canada with respect to accounting for employee future benefits require the City to accrue for its obligations under other employee benefit plans and related costs, net of plan assets.

The cost of other post-employment benefits offered to employees are actuarially determined using the projected benefit method, prorated on service and based on management's best estimate assumptions. Under this method, the projected post-retirement benefit is deemed to be earned on pro-rata basis over the years of service in the attribution period commencing at date of hire, and ending at the earliest age the employee could retire and qualify for benefits.

**l) Tangible Capital Assets**

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital assets including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital assets commencing once the asset is available for productive use as follows:

Site improvements	25 years
Buildings	10 to 125 years
Equipment	3 to 25 years
Fleet	7 to 25 years
Docks and wharfs	10 to 50 years
Roads and bridges	10 to 50 years
Water	15 to 75 years
Sewer	15 to 100 years
Other	5 to 75 years

**THE CORPORATION OF THE CITY OF KENORA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2017

**1. CASH**

	2017	2016
Unrestricted	\$ 17,367,855	\$ 15,761,033
Restricted	4,648,558	3,409,700
	<b>\$ 22,016,413</b>	<b>\$ 19,170,733</b>

The City has a revolving demand facility to a maximum of \$5,000,000 by way of prime rate based loans bearing interest at prime less 1.9% and letters of credit bearing interest at 0.5% per annum. As at 31 December 2017, \$ - (2016 - \$ -) was drawn under this facility. This facility is unsecured. Availability is subject to financial criteria and is at the discretion of the bank.

**2. TEMPORARY INVESTMENTS**

	Market Value	2017	2016
Unrestricted	\$ 14,223,887	\$ 13,233,444	\$ 14,095,492
Restricted	1,744,275	1,744,275	1,836,769
	<b>\$ 15,968,162</b>	<b>\$ 14,977,719</b>	<b>\$ 15,932,261</b>

99% of the temporary investments are held in the One Fund - Public Sector Group of Funds. The investments are bond funds with rates of return between -0.14% and 9.72%.

**3. LONG TERM NOTE RECEIVABLE**

	2017	2016
Loan receivable, Ontario Power Generation, repayable \$1,587 monthly including interest at 5%, secured by leasehold improvements, matures 2020.	\$ 36,830	\$ 53,601

**4. CITIZENS' PROSPERITY TRUST FUND INVESTMENTS**

	2017	2016
Cash	\$ 13,950	\$ 13,812
Temporary Investments	32,830,773	33,401,524
	<b>\$ 32,844,723</b>	<b>\$ 33,415,336</b>

The market value of the temporary investments is \$34,323,602 at the end of the year. The proceeds from the sale of the Kenora Municipal Telephone System, KMTS Mobility and KMTS Net were transferred to the Citizens' Prosperity Trust Fund in 2008. The purpose of the Fund is to safeguard the principal while using the related investment income to eliminate the negative impacts resulting from the loss of the annual dividends from the telephone operations.

37% of the temporary investments are held in the One Fund - Public Sector Group of Funds. The investments are held in bond funds with interest rates of -0.14%, 2.47% and 9.72%. The remaining investments are managed by Manulife Asset Management and held with RBC Dexia. The investments are held in various government and bank bonds and debentures. Interest rates range from 1.58% to 4.5%. These investments mature between 2019 and 2022.

Debentures receivable in the amount of \$8,169,071 have been eliminated on consolidation. These debentures are due from the City of Kenora and were used to finance a number of capital projects. The interest rate on these debentures is 3%. They mature between 2020 and 2032.



**THE CORPORATION OF THE CITY OF KENORA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2017

**5. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISE (in thousands of dollars)**

The Kenora Hydro Electric Corporation Ltd. is owned and controlled by the City of Kenora and as a business enterprise of the City, is accounted for on a modified equity basis in these consolidated financial statements. The following information provides condensed supplementary information for the enterprise for the year ended 31 December 2017.

**i) Financial Position, Results of Operations and Changes in Net Assets**

	2017	2016
Current assets	\$ 5,018	\$ 5,714
Non-current assets	8,725	8,805
Regulatory deferral account debit balances and related deferred tax	38	37
<b>Total assets and regulatory deferral account balances</b>	<b>13,781</b>	<b>14,556</b>
Current liabilities	1,641	2,253
Non-current liabilities	2,229	2,467
<b>Total Liabilities</b>	<b>3,870</b>	<b>4,720</b>
<b>Net Assets</b>	<b>\$ 9,911</b>	<b>\$ 9,836</b>
Revenue	\$ 14,488	\$ 15,761
Expenses	14,511	15,037
Income from operating activities	(23)	724
Finance income	61	65
Finance cost	(148)	(149)
Income before provision for payment in lieu taxes	(110)	640
Provision for payments in lieu taxes	(1)	36
Profit for the year before net movements in regulatory deferral account balances	(109)	604
Net movement in regulatory deferral account balances related to profit or loss and the related deferred tax movement	184	(333)
<b>Total comprehensive income for the year</b>	<b>\$ 75</b>	<b>\$ 271</b>

**THE CORPORATION OF THE CITY OF KENORA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2017

**5. INVESTMENT IN GOVERNMENT BUSINESS ENTERPRISE (in thousands of dollars) - continued**

	2017	2016
<b>ii) Balances with other organizations</b>		
Due from City of Kenora	\$ 1,077	\$ 879

**iii) Transactions with other organizations**

Administration charges by City of Kenora	\$ 297	\$ 205
Interest charged to Kenora Hydro	92	92

Purchases from and sales to the City of Kenora and its business enterprises in the normal course of operations are recorded at amounts approximating those charged to unrelated parties and total approximately \$1.84 million in 2017 (2016 - \$1.9 million).

**iv) Subsequent Event**

On November 24, 2017, the KHEC Board of Directors and the Corporation of the City of Kenora signed a Merger Participation Agreement with Thunder Bay Hydro Corporation, Thunder Bay Hydro Electricity Inc. to amalgamate and continue as a corporation under the Laws of Ontario. In April 2018, an application was sent to the Ontario Energy Board seeking approval for the merger.

**THE CORPORATION OF THE CITY OF KENORA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2017

**6. DEFERRED REVENUE**

	2017					
	Opening balance	Contributions received	Externally restricted investment income	Revenue recognized	Ending balance	
Federal gas tax	\$ 18,444	\$ 949,778	\$ 3,783	\$ -	\$ 972,005	
Dedicated gas tax	662,958	148,031	6,641	138,711	678,919	
Miscellaneous transit funding	245,019	-	-	11,520	233,499	
Roads deposits	48,705	-	488	-	49,193	
Other deferred revenue	726,194	1,427,686	5,452	116,889	2,042,443	
	\$ 1,701,320	\$ 2,525,495	\$ 16,364	\$ 267,120	\$ 3,976,059	

**Federal gas tax**

Gas tax revenue is provided by the Government of Canada. The use of funding is established by a funding agreement between the City and the Association of Municipalities of Ontario. Gas tax funding may be used towards designated public transit, water, wastewater, solid waste, community energy systems, roads and capacity building projects as specified in the funding agreements.

**Dedicated gas tax**

The Provincial Ministry of Transportation provides municipalities with \$.02 per litre of provincial gas tax to improve and expand transit. The funds can only be used to support municipal public transportation expenditures above a municipality's baseline spending.

**7. ACCUMULATED SURPLUS**

Accumulated surplus consists of individual fund surplus, reserves and reserve funds and internally restricted entities as follows:

	2017	2016
Current funds	\$ 491,309	\$ 856,984
Investment in tangible capital assets	154,722,219	152,556,817
Less: Capital assets to be financed by long term debt	-	(88,903)
Government business enterprise	9,911,000	9,836,000
	165,124,528	163,160,898
Reserves and Reserve Funds		
Working capital	4,461,465	4,311,465
Contingencies	7,966,562	8,592,819
Capital expenditure purposes	14,153,492	14,184,535
Replacement of equipment	700,913	1,016,925
Museum	437,163	430,299
Cemetery Columbarium	186,152	155,700
Current expenditures purposes	2,252,291	1,393,038
Total Reserves and Reserve Funds	30,158,038	30,084,781
Internally Restricted Entity		
Citizens' Prosperity Trust Fund	32,791,863	33,405,644
<b>ACCUMULATED SURPLUS</b>	<b>\$ 228,074,429</b>	<b>\$ 226,651,323</b>

The investment in tangible capital assets represents amounts already spent and invested in infrastructure and other non-financial assets.

**THE CORPORATION OF THE CITY OF KENORA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2017

**8. TANGIBLE CAPITAL ASSETS**

	Land	Site Improve- ments	Buildings	Equipment	Fleet	Docks and Wharfs	Roads and Bridges	Water	Sewer	Work in Progress and Other	2017
Cost, beginning of year	\$ 11,043,743	\$ 6,384,591	\$ 34,814,934	\$ 5,620,503	\$ 16,328,420	\$ 2,181,181	\$ 108,285,061	\$ 38,573,649	\$ 50,676,506	\$ 8,183,885	\$ <b>282,092,473</b>
Additions	590,992	29,994	1,937,653	398,834	1,485,701	110,766	1,412,332	328,824	1,647,772	952,367	<b>8,895,235</b>
Disposals/transfers	-	-	235,905	(5,463)	(698,646)	-	-	(2,126)	(173,352)	(276,637)	<b>(920,318)</b>
Cost, end of year	\$ 11,634,735	\$ 6,414,585	\$ 36,988,493	\$ 6,013,874	\$ 17,115,475	\$ 2,291,947	\$ 109,697,393	\$ 38,900,347	\$ 52,150,926	\$ 8,859,615	\$ <b>290,067,390</b>
Accumulated amortization, beginning of year	\$ -	\$ 1,664,573	\$ 6,957,145	\$ 3,996,439	\$ 8,580,468	\$ 461,414	\$ 67,135,857	\$ 14,414,295	\$ 21,840,793	\$ 4,484,672	\$ <b>129,535,656</b>
Amortization	-	250,413	876,264	330,907	839,857	76,505	2,543,637	556,402	833,979	268,225	<b>6,576,190</b>
Disposals	-	-	(7,356)	(5,463)	(585,217)	-	-	(2,126)	(166,514)	-	<b>(766,676)</b>
Accumulated amortization, end of year	\$ -	\$ 1,914,986	\$ 7,826,053	\$ 4,321,884	\$ 8,835,108	\$ 537,919	\$ 69,679,495	\$ 14,968,571	\$ 22,508,258	\$ 4,752,897	\$ <b>135,345,171</b>
Net carrying amounts, end of year	\$ 11,634,735	\$ 4,499,599	\$ 29,162,440	\$ 1,691,990	\$ 8,280,367	\$ 1,754,028	\$ 40,017,898	\$ 23,931,776	\$ 29,642,669	\$ 4,106,718	\$ <b>154,722,219</b>

**THE CORPORATION OF THE CITY OF KENORA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2017

**8. TANGIBLE CAPITAL ASSETS**

	Land	Site Improve- ments	Buildings	Equipment	Fleet	Docks and Wharfs	Roads and Bridges	Water	Sewer	Work in Progress and Other	2016 *Restated
Cost, beginning of year	\$ 11,043,743	\$ 6,302,985	\$ 33,741,057	\$ 5,323,352	\$ 14,892,338	\$ 1,999,835	\$ 103,786,687	\$ 38,471,220	\$ 50,079,180	\$ 7,772,093	\$ 273,412,490
Additions	-	81,606	1,073,877	303,329	1,653,442	181,346	4,383,940	102,429	512,971	772,572	9,065,512
Disposals/transfers	-	-	-	(6,178)	(217,360)	-	114,434	-	84,355	(360,780)	(385,529)
Cost, end of year	\$ 11,043,743	\$ 6,384,591	\$ 34,814,934	\$ 5,620,503	\$ 16,328,420	\$ 2,181,181	\$ 108,285,061	\$ 38,573,649	\$ 50,676,506	\$ 8,183,885	\$ 282,092,473
Accumulated amortization, beginning of year	\$ -	\$ 1,416,392	\$ 6,131,321	\$ 3,674,186	\$ 8,032,034	\$ 388,367	\$ 64,613,930	\$ 13,851,100	\$ 21,037,787	\$ 4,219,755	\$ 123,364,872
Amortization	-	248,181	825,824	339,103	820,233	73,047	2,521,927	563,195	815,312	264,917	6,471,739
Disposals	-	-	-	(16,850)	(271,799)	-	-	-	(12,306)	-	(300,955)
Accumulated amortization, end of year	\$ -	\$ 1,664,573	\$ 6,957,145	\$ 3,996,439	\$ 8,580,468	\$ 461,414	\$ 67,135,857	\$ 14,414,295	\$ 21,840,793	\$ 4,484,672	\$ 129,535,656
Net carrying amounts, end of year	\$ 11,043,743	\$ 4,720,018	\$ 27,857,789	\$ 1,624,063	\$ 7,747,952	\$ 1,719,767	\$ 41,149,204	\$ 24,159,354	\$ 28,835,713	\$ 3,699,213	\$ 152,556,817

The net book value of tangible capital assets not being amortized because they are under construction (or development or have been removed from services) is \$1,108,621 (2016 - \$659,788). The municipality holds various works of art and historical treasures pertaining to the Lake of the Woods Museum. These items are not recognized as tangible capital assets in the financial statements because a reasonable estimate of the future benefits associated with such property cannot be made.

\*In 2016, work in progress that was completed throughout the year was not allocated to the proper asset class through the transfers line. This note has been restated to reflect these changes which did not affect the total tangible capital asset balance.

**THE CORPORATION OF THE CITY OF KENORA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2017

**9. OTHER INCOME**

	2017	2016
Penalties and interest on taxation	\$ 285,804	\$ 289,627
Investment income	529,876	1,118,239
Donations	98,865	27,998
Miscellaneous	503,977	595,909
	<b>\$ 1,418,522</b>	<b>\$ 2,031,773</b>

**10. PENSION AGREEMENTS**

The municipality and its employees contribute to the Ontario Municipal Employees Retirement System ("OMERS"), a jointly trusted pension plan. The Board of Trustees, representing plan members and employers, is jointly responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The Plan has approximately 470,000 active, deferred and retired members.

Each year an independent actuary determines the Plan's funded status by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. On December 31, 2017, the estimated accrued pension obligation for all members (including survivors) of the Plan was \$93,614 million (2016 - \$86,959 million). The Plan had net assets available for benefits of \$95,198 million at the end of 2017 (2016 - \$85,360 million). The resulting funding surplus was \$605 million as at December 31, 2017 (2016 - \$2,341 million deficit). The actuary does not attribute portions of the unfunded liability to individual employers. The Corporation of the City of Kenora paid \$917,010 for employer contributions to the plan in 2017 (2016 - \$890,502).

**11. PUBLIC SECTOR SALARY DISCLOSURE**

For 2017, the following employees were paid a salary, as defined in the Public Sector Salary Disclosure Act, 1996, of \$100,000 or more:

Name	Position	Salary Paid	Taxable Benefits
Karen Brown	Chief Administrative Officer	\$ 168,623	\$ 1,882
Jeff Hawley	Operations Manager	\$ 129,628	\$ 1,561
Larry Cottam	Captain, Firefighter	\$ 124,621	\$ 1,236
Sharen McDowall	Human Resources Strategist	\$ 118,856	\$ 1,459
Donald Skene	Fire and Emergency Services Manager	\$ 115,369	\$ 1,386
William Chmeliuk	Captain, Firefighter	\$ 111,538	\$ 1,084
Heather Kasprick	City Clerk	\$ 108,797	\$ 1,310
Charlotte Edie	Treasurer	\$ 108,797	\$ 1,338
Marco Vogrig	Municipal Engineer	\$ 108,797	\$ 1,343
Gary Sinclair	Firefighter	\$ 106,399	\$ 1,071
John Martin	Captain, Firefighter	\$ 106,201	\$ 1,236
Michael Mostow	Fleet Supervisor	\$ 101,905	\$ 1,253
Biman Paudel	Water and Wastewater Division Lead	\$ 101,904	\$ 1,241
Brian Birch	Captain, Firefighter	\$ 100,152	\$ 1,094

**THE CORPORATION OF THE CITY OF KENORA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2017

**12. BUDGET**

The Financial Plan (Budget) By-Law adopted by Council on 6 June 2017 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated use of surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues is \$nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and changes in net financial assets represent the Financial Plan adopted by Council on 6 June 2017 with adjustments as follows:

	<b>2017</b>
Financial plan (budget) by-law surplus for the year	\$ (546,201)
Add:	
Capital expenditures	13,491,824
Debt principal repayments	718,541
Less:	
Debenture financing of capital expenditures	(746,500)
Budgeted transfers from accumulated surplus	(3,809,831)
Amortization	(6,576,190)
<b>Budget surplus per statement of operations</b>	<b>\$ 2,531,643</b>

**13. COLLECTION OF TAXES ON BEHALF OF OTHER TAXATION AUTHORITIES**

During the year, taxation revenue of \$4,831,190 (2016 - \$5,298,913) was raised and remitted to the school boards.

**14. TRUST FUNDS**

The trust funds administered by the municipality for the benefit of external parties have not been included in the statement of financial position nor have the operations been included in the statement of operations. At 31 December, the trust funds balances are as follows:

	<b>2017</b>	<b>2016</b>
Lake of the Woods Cemetery		
Land Fund	\$ 6,239	\$ 4,676
Perpetual Care Fund	618,733	590,569
Langford Estate	56,309	55,750
	<b>\$ 681,281</b>	<b>\$ 650,995</b>

**15. EMPLOYEE FUTURE BENEFITS**

The City of Kenora pays certain health and dental benefits on behalf of its retired employees. Active employees are also eligible to receive non-vesting sick leave benefits. The City recognizes post-employment and non-vesting sick leave costs in the period in which the employees rendered the services. The expense for the twelve months ended 31 December 2017 was \$42,866 (2016 recovery - \$45,919), and the resulting future employee benefit liability was \$2,441,191 at 31 December 2017 (2016 - \$2,439,742).

The main assumptions employed for the calculation of employee future benefits are as follows:

**1. Interest (Discount) Rate**

The interest (discount) rate used for fiscal 31 December 2017 expense and accrued obligation is 2.90%.

**2. Medical Costs**

Medical costs were assumed to increase 6.25% in 2017 grading down by .25% per annum to 4.5% thereafter.

**3. Dental Costs**

Dental costs were assumed to increase 2.75% per year.

**4. Non-Vesting Sick Leave Costs**

Salary rates were assumed to increase 1.5% per year to 2019 and 2.15% per year thereafter.

**THE CORPORATION OF THE CITY OF KENORA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2017

**16. EMPLOYEE FUTURE BENEFITS PAYABLE**

	2017	2016
Employee future benefits (Note 15)	\$ 2,441,191	\$ 2,439,742
Vested sick leave	94,084	85,042
Lieu time accrual	122,878	96,109
	<b>\$ 2,658,153</b>	<b>\$ 2,620,892</b>

**17. CONTINGENT LIABILITIES AND COMMITMENTS**

At 31 December 2017, the Corporation of the City of Kenora has guaranteed bank indebtedness of the following: Kenora Golf and Country Club in the amount of \$260,012 (2016 - \$303,344) (the maximum amount of the guarantee is \$650,000), the Kenora Health Care Centre in the amount of \$6,271,453 (2016 - \$6,448,179) and the Kenora Airport Authority Inc. in the amount of \$0 (the maximum amount of the guarantee is \$1,000,000).

The Corporation of the City of Kenora's pro-rata share of the cumulative operating deficit of the District of Kenora Home for the Aged is \$1,440,888 for 2017 (2016 - \$1,677,578). The Home's management expects to recover this deficit from projected future operating surpluses. A billing to municipalities for their respective share of the deficit is not anticipated.

The Corporation of the City of Kenora has several claims and possible claims pending against it. The outcome of these claims is not yet determined and no amounts have been recorded in the accounts relating to these claims and possible claims.

**18. LANDFILL CLOSURE AND POST-CLOSURE LIABILITIES**

The Ontario Environmental Protection Act sets out regulatory requirements for the closure and maintenance of landfill sites. Under this Act, the City is required to provide for closure and post-closure care of solid waste landfill sites. The costs related to these obligations are provided over the estimated remaining life of active landfill sites based upon usage.

The City has one inactive landfill site. It has previously incurred all costs relating to the closure and retains responsibility for all costs relating to post-closure care which are recorded annually as they are incurred.

The City maintains one active landfill site which has an estimated remaining useful life of approximately 40 years. Based on an environmental assessment performed by consultants \$18,963 has been accrued relating to the closure & post-closure care for this landfill site at 31 December 2017.



**THE CORPORATION OF THE CITY OF KENORA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2017

**19. SEGMENTED INFORMATION**

The City of Kenora is a diversified municipal government institution that provides a wide range of services to its citizens, including fire, public transit, solid waste, water and waste water and recreation. For management reporting purposes the City's operations and activities are organized and reported by Segment. Segments were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

City services are provided by departments and their activities are reported in these functions. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

**General Government**

General government encompasses all the City's administration including Council, the Administrator's office, finance and administration and human resources.

**Protection to Persons and Property**

This segment encompasses contracted police services, fire services and by-law enforcement. The fire department is responsible to provide fire suppression service; fire prevention programs; training and education related to prevention, detection or extinguishment of fires. The by-law department is responsible for animal control and for enforcing by-laws passed by council. The building inspectors ensure an acceptable quality of building construction and maintenance of properties through enforcement of construction codes, building standards and by-laws.

**Transportation Services**

Transportation services are the responsibility of the public works department. This department delivers municipal public works services related to the planning, development and maintenance of roadway systems, transit, docks, wharfs and street lighting.

**Environmental Services**

The environmental services segment consists of three areas - water, wastewater and solid waste. The department provides drinking water and treats wastewater to a portion of the City. It also provides collection, disposal and waste minimization programs and facilities for solid waste.

**Health Services**

Health services includes contributions to the Northwestern Health Unit, the Kenora District Services Board for ambulance services and to the Lake of the Woods Cemetery.

**THE CORPORATION OF THE CITY OF KENORA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 31 December 2017

**19. SEGMENTED INFORMATION (continued)**

**Social and Family Services**

The social and family services segment provides Ontario Works services, day care services and includes contributions to the District of Kenora Home for the Aged and to the Kenora District Services Board for social housing.

**Recreation and Cultural Services**

Recreation and cultural services is responsible for the maintenance of parks and open space. Also included in this segment are the Kenora Recreation Centre (ice surface, swimming pools and workout facilities) and the Keewatin Memorial Arena (ice surface). The operations of the Kenora Library and the Lake of the Woods Museum are also in this segment.

**Planning and Development**

The planning and development segment includes planning, economic development and tourism. It provides services for the approval of all land development plans and the application and enforcement of zoning by-laws.

In addition, as noted in significant accounting policies, these financial statements consolidate the revenue and expenses of various entities. These entities have been separately disclosed in the segmented information which follows.

**THE CORPORATION OF THE CITY OF KENORA**  
**SCHEDULE OF CONSOLIDATED SEGMENT DISCLOSURE**  
For the year ended 31 December 2017

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Eliminations	2017 Total
<b>Revenues</b>										
Taxation	\$ 3,184,539	\$ 6,712,558	\$ 5,419,605	\$ 409,721	\$ 1,675,686	\$ 2,858,235	\$ 3,292,490	\$ 981,368	\$ -	\$ 24,534,202
Fees and user charges	129,608	567,654	927,713	10,910,078	175,602	-	1,546,514	262,592	-	14,519,761
Government grants	572,699	1,681,429	1,288,819	346,009	447,407	466,926	1,570,745	588,653	(1,122,886)	5,839,801
Net government business enterprise earnings	75,000	-	-	-	-	-	-	-	-	75,000
Other	256,931	230,083	185,765	291,661	58,211	97,970	252,831	45,070	-	1,418,522
	<b>4,218,777</b>	<b>9,191,724</b>	<b>7,821,902</b>	<b>11,957,469</b>	<b>2,356,906</b>	<b>3,423,131</b>	<b>6,662,580</b>	<b>1,877,683</b>	<b>(1,122,886)</b>	<b>46,387,286</b>
<b>Expenses</b>										
Salaries and benefits	2,326,076	2,436,852	2,966,217	3,468,868	214,465	539	3,040,117	845,189	-	15,298,323
Materials and supplies	1,125,634	6,345,733	2,250,324	4,379,513	105,123	-	2,071,868	754,562	-	17,032,758
External transfer	(18,268)	-	331,800	-	2,156,284	3,585,258	1,076,735	47,987	(1,122,886)	6,056,910
Amortization	131,055	379,002	3,463,371	1,781,026	4,968	-	641,608	175,161	-	6,576,190
	<b>3,564,496</b>	<b>9,161,587</b>	<b>9,011,713</b>	<b>9,629,407</b>	<b>2,480,840</b>	<b>3,585,797</b>	<b>6,830,328</b>	<b>1,822,898</b>	<b>(1,122,886)</b>	<b>44,964,180</b>
<b>Net surplus (deficit)</b>	<b>\$ 654,281</b>	<b>\$ 30,137</b>	<b>\$ (1,189,811)</b>	<b>\$ 2,328,062</b>	<b>\$ (123,934)</b>	<b>\$ (162,666)</b>	<b>\$ (167,748)</b>	<b>\$ 54,785</b>	<b>\$ -</b>	<b>\$ 1,423,106</b>

	General Government	Protection to Persons and Property	Transportation Services	Environmental Services	Health Services	Social and Family Services	Recreation and Cultural Services	Planning and Development	Eliminations	2016 Total
<b>Revenues</b>										
Taxation	\$ 2,928,260	\$ 6,691,823	\$ 5,265,236	\$ 244,022	\$ 1,548,599	\$ 2,691,277	\$ 3,165,242	\$ 929,159	\$ -	\$ 23,463,618
Fees and user charges	75,299	571,316	915,358	10,369,913	158,565	-	1,456,918	404,890	-	13,952,259
Government grants	557,869	1,647,032	3,770,737	45,147	422,464	497,918	1,847,470	397,258	(1,085,412)	8,100,483
Net government business enterprise earnings	271,000	-	-	-	-	-	-	-	-	271,000
Other	792,940	281,748	221,684	296,382	67,782	113,312	200,443	57,482	-	2,031,773
	<b>4,625,368</b>	<b>9,191,919</b>	<b>10,173,015</b>	<b>10,955,464</b>	<b>2,197,410</b>	<b>3,302,507</b>	<b>6,670,073</b>	<b>1,788,789</b>	<b>(1,085,412)</b>	<b>47,819,133</b>
<b>Expenses</b>										
Salaries and benefits	2,267,003	2,422,518	2,891,598	3,376,162	201,300	534	3,152,999	1,001,680	-	15,313,793
Materials and supplies	1,174,397	6,735,719	1,943,949	4,694,615	78,218	-	2,085,314	611,035	-	17,323,247
External transfer	(6,729)	-	78,229	-	2,009,879	3,491,842	1,051,301	-	(1,085,412)	5,539,110
Amortization	133,034	380,368	3,406,221	1,767,037	13,394	-	599,463	172,222	-	6,471,739
	<b>3,567,704</b>	<b>9,538,605</b>	<b>8,319,997</b>	<b>9,837,814</b>	<b>2,302,791</b>	<b>3,492,376</b>	<b>6,889,077</b>	<b>1,784,937</b>	<b>(1,085,412)</b>	<b>44,647,890</b>
<b>Net surplus (deficit)</b>	<b>\$ 1,057,664</b>	<b>\$ (346,686)</b>	<b>\$ 1,853,018</b>	<b>\$ 1,117,650</b>	<b>\$ (105,381)</b>	<b>\$ (189,869)</b>	<b>\$ (219,004)</b>	<b>\$ 3,852</b>	<b>\$ -</b>	<b>\$ 3,171,243</b>

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. Taxation, payments-in-lieu of taxes, certain government grants and interest income have been apportioned based on a percentage of budgeted expenses.

**THE CORPORATION OF THE CITY OF KENORA**  
**SCHEDULE OF CONSOLIDATED SEGMENT DISCLOSURE BY ENTITY**

For the year ended 31 December 2017

	City	Lake of the Woods Museum	Kenora Public Library	Provincial Offences	LOW Development Corporation	2017 Total
<b>Revenues</b>						
Taxation	\$ 24,534,202	\$ -	\$ -	\$ -	\$ -	24,534,202
Fees and user charges	13,918,332	104,761	39,929	342,390	114,349	14,519,761
Government grants	5,720,372	29,966	70,364	-	19,099	5,839,801
Net government business enterprise earnings	75,000	-	-	-	-	75,000
Other	1,323,018	93,708	6,357	-	(4,561)	1,418,522
	<b>45,570,924</b>	<b>228,435</b>	<b>116,650</b>	<b>342,390</b>	<b>128,887</b>	<b>46,387,286</b>
<b>Expenses</b>						
Salaries and benefits	14,374,220	301,802	485,202	137,099	-	15,298,323
Materials and supplies	16,413,326	174,476	145,669	122,413	176,874	17,032,758
External transfer	7,006,132	(286,601)	(614,634)	-	(47,987)	6,056,910
Amortization	6,516,746	-	59,444	-	-	6,576,190
	<b>44,310,423</b>	<b>189,677</b>	<b>75,681</b>	<b>259,512</b>	<b>128,887</b>	<b>44,964,180</b>
<b>Net surplus (deficit)</b>	<b>\$ 1,260,501</b>	<b>\$ 38,758</b>	<b>\$ 40,969</b>	<b>\$ 82,878</b>	<b>\$ -</b>	<b>\$ 1,423,106</b>

	City	Lake of the Woods Museum	Kenora Public Library	Provincial Offences	LOW Development Corporation	2016 Total
<b>Revenues</b>						
Taxation	\$ 23,463,618	\$ -	\$ -	\$ -	\$ -	23,463,618
Fees and user charges	13,226,544	92,827	42,433	456,515	133,940	13,952,259
Government grants	7,974,812	51,907	63,764	-	10,000	8,100,483
Net government business enterprise earnings	271,000	-	-	-	-	271,000
Other	1,964,704	39,416	12,792	-	14,861	2,031,773
	<b>46,900,678</b>	<b>184,150</b>	<b>118,989</b>	<b>456,515</b>	<b>158,801</b>	<b>47,819,133</b>
<b>Expenses</b>						
Salaries and benefits	14,381,088	310,292	492,078	130,335	-	15,313,793

Materials and supplies	16,699,110	143,304	165,077	107,299	208,457	17,323,247
External transfer	6,488,567	(285,167)	(614,634)	-	(49,656)	5,539,110
Amortization	6,410,225	-	61,514	-	-	6,471,739
	<b>43,978,991</b>	<b>168,429</b>	<b>104,035</b>	<b>237,634</b>	<b>158,801</b>	<b>44,647,890</b>
<b>Net surplus (deficit)</b>	<b>\$ 2,921,687</b>	<b>\$ 15,721</b>	<b>\$ 14,954</b>	<b>\$ 218,881</b>	<b>\$ -</b>	<b>\$ 3,171,243</b>

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. Taxation, payments-in-lieu of taxes, certain government grants and interest income have been apportioned based on a percentage of budgeted expenses.